

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 SIL-01 EA-10 /111 W
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1762
INFO USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY FOR FAS ADMINISTRATOR
HUGHES
GENEVA FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: ASSISTANT SECRETARY OF AGRICULTURE DALE HATHAWAY
MEETS WITH TRADE POLICY OFFICIALS OF EC COMMISSION
DIRECTION GENERAL FOR EXTERNAL RELATIONS, BRUSSELS,
SEPTEMBER 8, 1977

REF: BRUSSELS 11502

1. SUMMARY: ASSISTANT SECRETARY OF AGRICULTURE
HATHAWAY CALLED ON EC DIRECTOR GENERAL FOR EXTERNAL
RELATIONS SIR ROY DENMAN TO DISCUSS MTN'S AND INTERNA-
TIONAL COMMODITY AGREEMENTS. DENMAN REFERRED TO CURRENT
ECONOMIC AND STRUCTURAL DIFFICULTIES IN THE EC, OUR
DIFFERING OPINIONS REGARDING THE EFFECTS OF TARIFF
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REDUCTIONS IN SUCH A SITUATION AND THE NEED TO AVOID
EXCEPTIONS. DENMAN THEREFORE FAVORS A TARIFF CUT IN
THE RANGE OF 20-25 PERCENT WITHOUT EXCEPTIONS. END
SUMMARY.

2. ASSISTANT SECRETARY OF AGRICULTURE HATHAWAY MET
ON SEPTEMBER 8 WITH EC DIRECTOR GENERAL FOR EXTERNAL

RELATIONS SIR ROY DENMAN AND WITH HIS DIRECTOR IN CHARGE OF RELATIONS WITH INTERNATIONAL ORGANIZATIONS, RAYMOND PHAN VAN PHI. ALSO PRESENT WERE USEC DCM MORRIS AND USEC AGRICULTURAL ATTACHE MONTEL.

3. DENMAN OPENED THE DISCUSSION BY ALLUDING TO THE APPARENT CONFIDENCE THAT MOST HAVE IN ACHIEVING SOMETHING IN AGRICULTURE, COMPARED TO THE DIFFICULTIES AND THE ATMOSPHERE THAT PREVAILED DURING THE KENNEDY ROUND. HE ATTRIBUTED THIS ONFIDENCE TO THE DISPOSITION ON THE PART OF THE UNITED STATES TO ACCEPT THE COMMON AGRICULTURAL POLICY AS A FACT OF LIFE.

4. HE COMMENTED THAT GUNDELACH STATED CLEARLY IN WASHINGTON THAT THE EC IS PREPARED TO LOOK AT WORLD MARKETS WHERE EXPORT SUBSIDIES MAKE PROBLEMS AND THEN ASKED HATHAWAY HOW WE SEE THE PROSPECTS FOR AN INTERNATIONAL AGREEMENT ON CEREALS. HATHAWAY REPLIED THAT WE ARE CERTAINLY WILLING TO DISCUSS AN AGREEMENT ON WHEAT. THE PREVIOUS WHEAT AGREEMENTS WERE TOO RIGID, AND HE RECALLED AN AUSTRALIAN CHARACTERIZATION OF THE LAST ONE AS "A GENTLEMEN'S AGREEMENT WITHOUT PARTICIPATION BY GENTLEMEN." BUT THIS TIME, WE NEED MORE SPECIFICALLY STATED OBLIGATIONS FOR PARTICIPATING COUNTRIES.

5. DENMAN ASKED IF HATHAWAY SAW ANY SERIOUS PROBLEMS IN MEETING THE TIMETABLE SET IN JULY FOR COMPLETING LIMITED OFFICIAL USE

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THE TRADE NEGOTIATIONS. HATHAWAY REPLIED THAT WE LOOK FOR SIGNIFICANT PROGRESS IN WHEAT IN THE SEPTEMBER AND OCTOBER MEETINGS SCHEDULED FOR LONDON. HE DID NOT EXPECT AN EARLY AGREEMENT REGARDING PRICES AND STOCKS FOR SOME TIME BECAUSE THESE ARE PARTICULARLY DIFFICULT SUBJECTS. HATHAWAY THEN REPORTED ON HIS CONVERSATION WITH RABOT THAT MORNING (REFTEL) REGARDING OUR RECENT MEETINGS IN OTTAWA AND WASHINGTON WITH THE CANADIANS, ARGENTINIANS AND AUSTRALIANS.

6. PHAN VAN PHI ASKED IF THE UNITED STATES SHARES WITH THE EC THE CONCEPT OF USING PRICES TO TRIGGER THE ACQUISITION AND RELEASE OF STOCKS. HATHAWAY REPLIED "YES," BUT ASKED EXACTLY WHAT HAPPENS WHEN PRICES REACH THE EXTREMES AND WHAT MIGHT ALSO BE REQUIRED BETWEEN THE EXTREMES. HE SAID THAT NO ONE HAD YET REALLY ADDRESSED THESE POINTS.

7. DENMAN REFERRED TO THE OVERALL TIMETABLE AND TO OUR COMMON INTENTION THAT ALL ELEMENTS OF THE NEGOTIATIONS BE ON THE TABLE BY JANUARY 1978 AND ASKED IF WE THOUGHT A CEREALS AGREEMENT COULD BE SIGNED BY

THEN. HATHAWAY SAID THAT THERE STILL IS A SERIOUS QUESTION OF HOW TO DEAL WITH THE USSR. ONCE THAT QUESTION WERE SOLVED, WE COULD PROBABLY BRING THE DISCUSSION TO THE POINT WHERE AN AGREEMENT ON SOME ARRANGEMENT FOR GRAINS COULD BE READY BY THE END OF THE YEAR.

8. DENMAN ASKED ABOUT THE PROSPECTS FOR DAIRY PRODUCTS. HATHAWAY REPLIED THAT THE REAL QUESTION IS DOES THE EC REALLY EXPECT THAT THE UNITED STATES CAN CONTRIBUTE TO A SOLUTION OF THE EC'S SERIOUS DAIRY PROBLEM THROUGH SUCH AN ARRANGEMENT. HE SAID THAT THE UNITED STATES IS NOT A MARKET FOR BUTTER AND FOR POWDERED SKIM MILK AND THAT THIS COULD NOT BE LOOKED AT AS A SOLUTION FOR THE LIMITED OFFICIAL USE

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EC PROBLEM. DENMAN SUGGESTED THAT PERHAPS THE UNITED STATES COULD TAKE SOME NEW ZEALAND BUTTER TO HELP WITH INTERNATIONAL PRICE AND MARKET ADJUSTMENTS. HATHAWAY REPLIED THAT THE PROBLEM IS NOT THAT SIMPLE. THERE IS A COMPLICATED RELATIONSHIP BETWEEN BUTTER AND MOST OF THE EDIBLE VEGETABLE OILS SUCH AS CORN OIL AND

PALM OIL. EVEN NEW ZEALAND AS THE WORLD'S MOST EFFICIENT BUTTER PRODUCER WOULD PROBABLY FIND IT HARD TO COMPETE AGAINST PALM OIL. SO THE PROBLEM NEEDS TO BE APPROACHED FROM MORE THAN ONE DIRECTION.

9. PHAN VAN PHI SAID HE UNDERSTOOD THAT THE NOTION OF A MEAT AGREEMENT BEING CONSIDERED IN THE COMMISSION WAS A SORT OF COOPERATION/CONSULTATION SET OF PROCEDURES. WAS THAT OUR UNDERSTANDING? HATHAWAY SAID WE THOUGHT THIS IS WHAT RABOT AND HIS COLLEAGUES WERE THINKING. PHAN VAN PHI THEN MUSED THAT SOME SORT OF A NETWORK OF BILATERAL AGREEMENTS UNDER AN UMBRELLA AGREEMENT COULD WORK FOR MEAT, BUT HE LEFT THE DISTINCT IMPRESSION THAT THE COMMISSION HAD NOT YET DECIDED WHAT THEY INTEND TO PROPOSE IN THE BEEF AREA.
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10. HATHAWAY ASKED WHAT IN DENMAN'S VIEW WOULD BE THE MOST DIFFICULT PORTIONS OF THE NEGOTIATIONS AS REGARDS AGRICULTURE. DENMAN REPLIED THAT THE SPECIFICS OF A GRAINS AGREEMENT AND EXPORT SUBSIDIES WOULD BE THE MOST DIFFICULT, BUT PERHAPS LESS SO THAN THE PROBLEMS IN THE INDUSTRIAL AREA. DENMAN ADDED THAT THERE WERE SERIOUS STRUCTURAL DIFFICULTIES IN THE COMMUNITY ON THE ONE HAND AND ON THE OTHER HAND A DIFFERENCE BETWEEN US AS TO THE PSYCHOLOGICAL EFFECT OF TARIFF REDUCTIONS DURING A PERIOD OF GLOBAL STAGNATION. BECAUSE SO MUCH HAS ALREADY BEEN ACHIEVED IN THE INDUSTRIAL TARIFF AREA, THERE JUST ISN'T THAT MUCH MORE TO GET, ESPECIALLY GIVEN THE CURRENT STRUCTURAL PROBLEMS IN SEVERAL EC INDUSTRIES. THEREFORE THE RESULTS WILL BE LESS STRIKING IN THE INDUSTRIAL TARIFF NEGOTIATIONS THAN THEY HAVE BEEN IN THE PAST. WERE THE EC TO TRY TO GET A SIGNIFICANTLY HIGHER TARIFF CUT, THE EXCEPTIONS EXERCISE WHICH WOULD INEVITABLY ENSUE COULD DRAG OUT UNTIL NEXT YEAR WITH A RESULTING UNMANAGEABLY LONG LIST AND FAILURE TO MEET OUR AGREED TIMETABLE. AN INDUSTRIAL TARIFF CUT WITHOUT EXCEPTIONS IS ONLY POSSIBLE AT THE BOTTOM RANGE OF THE EC'S 25-50 PERCENT MANDATE AND MOST LIKELY WILL BE IN THE 20-25 PERCENT RANGE.

11. WE REMINDED DENMAN OF THE IMPORTANCE THE UNITED STATES ATTACHES TO SUBSTANTIAL EC REDUCTIONS IN CERTAIN AGRICULTURAL TARIFF ITEMS SUCH AS TOBACCO AND CITRUS.

12. DEPARTMENT MAY WISH TO MAKE DISTRIBUTION TO ALL EC CAPITALS AND USOECD PARIS. HINTON

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